



# Climate Solutions – Quarterly Insight

Fourth quarter 2018

## Nordea 1 – Global Climate and Environment Fund






The **Nordea 1 – Global Climate and Environment Fund** is:

- A thematic portfolio leveraging a long-term megatrend supported by multiple drivers (economic, environmental, corporate and consumer)
- A concentrated, global bottom-up equity fund, with mid-cap growth bias (40-60 stocks)
- A fund whose core theme is companies that provide solutions to global challenges regarding climate change and the environment

The fund has a long track record, and has been managed by the same investment team since 2009.

This document outlines some of the portfolio holdings and how they contribute towards climate solutions and environmental protection. The table below highlights which Clusters – thematic groups of Strategies – and which Strategy within each Cluster each holding belongs to. In addition, the table exemplifies how each holding is related to one of the UN's Sustainability and Development Goals (SDGs)<sup>1</sup>.

### Sample portfolio holdings<sup>2</sup>

| Company                                       | Why is it a climate solution?  | N1 – GCLIMEF Cluster / Strategy                        | Primary SDG <sup>1</sup>  |
|---|--|--|---|
| <b>Eversource Energy</b>                      | Eversource is a grid utility company, focused on transmission activities in electricity and gas that allows connecting people <b>safely, reliably and efficiently to the energy</b> they use. Eversource is committed to integrate renewable energy and to facilitate the upcoming growth of electric vehicles.  | <b>Resource Efficiency</b><br>Smart Grid               |  |
| <b>International Flavors &amp; Fragrances</b> | IFF is a global ingredients supplier of flavour and fragrance solutions to a diverse range of clients from personal care & household, to food & beverage producers. Consumers are increasingly demanding more <b>sustainable products</b> that are based on <b>natural</b> ingredients, <b>free from synthetics</b> and <b>cleaner</b> for the <b>environment</b> .  | <b>Environmental Protection</b><br>Green Consumerism   |  |
| <b>Infineon Technologies</b>                  | Infineon is a world leader in semiconductor solutions which are widely used in the automotive, alternative energy and other general industries. Its <b>power-efficient</b> electronics enable the electrification of transportation, renewable energy production and energy consumption, which <b>improves resource efficiency</b> across many applications.   | <b>Resource Efficiency</b><br>Eco-Mobility             |  |
| <b>AGCO</b>                                   | AGCO is an agricultural equipment company that offers smart farming solutions globally. Its connected farm offering allows users to optimise their input and output factors by digitalising assets and analyzing data about their operations. <b>Saving</b> inputs like <b>water, fertiliser</b> and <b>fuel</b> are good for the environment and <b>the improved resource efficiency</b> leads to better economics for farmers. | <b>Resource Efficiency</b><br>Smart Farming            |  |
| <b>Veolia Environment</b>                     | Veolia is a leader in optimised resource management around water, waste and energy services. The company's solutions contribute to a <b>sustainable circular society</b> by providing <b>clean drinking water, recycling</b> & waste services and renewable energy systems to millions of people.  | <b>Environmental Protection</b><br>Clean Water and Air |  |

The UN's Sustainability and Development Goals are a series of thematic targets the UN identified in 2015 as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. The fund does not directly target these SDGs, but they offer an objective framework against which we highlight quickly how each company fits the Climate and Environment theme.

<sup>1</sup>) This refers to the UN's Sustainability and Development Goals (SDG), which are laid out on the next page. <sup>2</sup>) Source: Nordea Investment Funds S.A. As at 30.11.2018.

## Theme in the spotlight

Every minute, one garbage truck of plastic is dumped into the ocean



40% of this is from packaging



If this continues in 2050 there will be more plastic than fish in the ocean



Source: Earth Day Network and Nordea Investment Management A.B.

## How do we benefit from this trend?

Daily headlines concerning plastic are indicating that the world is entering a new phase of rising awareness and potential change. Once seen as a cheap, light and versatile material, plastic's success has created its own problem. Mountains of plastic waste are being dumped in nature, piling up in landfills and only a fraction of it is being recycled and reused. There needs to be a dramatic increase in the recyclability rate if the plastic problem is to be solved. Due to the low value of plastics, this is however unlikely to happen without regulation.

Now however, concerted action is being taken and it is a major signpost that the EU decided to ban single use plastics from 2021 onwards. Not only have several nations promised or already taken action against reducing plastic pollution, but consumers are increasingly demanding sustainable packaging solutions.

We view paper as one of these alternative sustainable solutions. While only 14% of plastic packaging is recycled, paper solutions achieve rates of above 50%. Many paper packaging companies offer recycled solutions that originate from sustainable forestry, which makes them a better choice than oil-dependent plastics.

We believe our society is increasingly driven by "green" consumers that ask for environmental friendly products and sustainable packaging solutions. Innovative solution providers like portfolio holdings Billerud Korsnas, SIG Combibloc and Westrock are well positioned to benefit from opportunities in sustainable packaging.

## Complete list of SDGs:



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